

USAID/Lithuania Volunteers for Overseas Cooperative Assistance Program Impact Report

by

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EXECUTIVE SUMMARY

During the Soviet era, relatively high-quality agricultural products from Lithuania were sold throughout the Soviet Union. Shortly after Lithuania regained its independence in 1990, these traditional export markets evaporated. Most of Lithuania's newly privatized commercial farms and food-processing companies found themselves in a critical situation. Production costs were rising rapidly, and they were unable to compete in international markets due to outdated equipment, practices, and management techniques. By 1993, two-thirds of these businesses had gone bankrupt. In order to respond, USAID signed a cooperative assistance agreement with Volunteers for Overseas Cooperative Assistance (VOCA).

Between 1992 and 1997, 85 VOCA volunteers provided assistance to 139 agricultural organizations. There were 49 assignments with agricultural producers, and 41 separate agro-processing projects. The basic goal was to help reform private farms, cooperatives, and food processing companies. Initially, VOCA provided training to farmers, managers, and officials concerning the development and management of cooperative farms. Later, VOCA focused its efforts on improving the operations of Lithuania's top food processing companies.

As a result of VOCA's financial support, technical consultations, and training events, many private farmers and enterprise managers learned how to adapt to the free-market system and expand their business. The direct economic impact of the VOCA program has been estimated at more than \$11 million (see tables 1 to 4), with a ratio of more than ten to one between benefits achieved and costs incurred. By 1996, one-third of the agricultural produce in the Lithuanian market came from private sources. Today, more than one-half of the agricultural products that are privately produced come from former VOCA clients.

THE EARLY YEARS

During the first stage of its activity (1992-1994), VOCA worked to develop and modernize cooperative farms in Lithuania. Large, newly privatized cooperatives or "bendroves" were the initial target. One significant obstacle was resistance on the part of many farm managers to abandon a "comfortable system" in order to reorganize along the lines of Western models. Accordingly, VOCA adopted a long-term approach to developing cooperative farms, using local experts to provide continuous training and hands-on assistance.

In 1993, in order to make this indigenous training capacity more sustainable, VOCA spearheaded the creation and institutional development of the Lithuanian Agricultural Advisory Service (LAAS), in cooperation with the Danish Agricultural Advisory Service. VOCA provided financing, training, and technical support to the LAAS, and conducted 18 projects with/through it. VOCA volunteers also organized and conducted training seminars for LAAS agents on crucial subjects such as consulting methods, effective communication and presentation skills, program planning, and performance evaluation. VOCA helped the LAAS with its management structure, program of activities, and mission statement. VOCA volunteers worked with the LAAS to set up an audiovisual studio and a small publishing house. These have been used to prepare a series of educational videos and magazines, which are widely distributed to farmers and cooperatives, and used at seminars and meetings.

PROGRAM EVALUATION AND REORIENTATION

The results of the first years of VOCA's work, developing cooperative farms and conducting training through the LAAS, were evaluated in 1994. VOCA and USAID concluded that the large, newly privatized cooperatives were not fully receptive to expert assistance. Accordingly, they agreed to modify the approach. Together, VOCA and USAID selected clients with the greatest potential for success, namely small and medium-size private farms with reform-minded management. Also, while work to strengthen the capacity of the LAAS continued, greater emphasis was placed on providing expertise and technical assistance to Lithuania's top food processing companies.

THE FINAL YEARS

During its final three years in Lithuania, VOCA increasingly oriented its work towards strengthening the food processing industry. Preferred recipients of assistance were established companies with reform-minded managers and sound organizational structures, which had the capacity to efficiently utilize VOCA assistance and demonstrate rapid and concrete results. An important part of this strategy was a vigorous client selection process, which enabled VOCA to accurately identify and target the local companies best able to benefit from technical consultation in specific areas. These companies were then carefully matched with top-level VOCA volunteers having experience in the specific areas needed.

VOCA's working practices contributed to its success. The most crucial issues facing individual clients were carefully identified, and assistance was targeted accordingly. And VOCA consistently located and secured highly qualified specialists, who were able to meet the client's exact needs. For example, among the leading executives who volunteered was a Vice-President of Tyson Chicken. Some of the volunteers visited Lithuania as many as five times. VOCA also used extensive feedback to amplify its achievements, and employed a highly effective reporting system under which volunteers analyzed the problems, the best solutions, and the expected outcomes. As a result, VOCA helped company managers to develop new skills concerning the assessment and resolution of business problems. For example, one company executive learned how the use of soy feed could improve profitability, and how to accurately measure the resulting savings.

In part because of the close contact between VOCA and its clients, and the "hands-on" approach taken, VOCA established a number of long-term relationships. Indeed, VOCA was able to continue its partnerships long after the departure of its volunteers. This on-going assistance includes follow-up, evaluation, and even further joint projects.

Training programs also helped Lithuanian agro-businesses to modernize and Westernize their management and production techniques. Training in the United States was used to complement the expert technical assistance provided in Lithuania, and the local training offered by the LAAS. For example, one VOCA volunteer funded a visit by 12 Lithuanians through U.S. based Entrepreneurial Management and Executive Development and the Partnership Training Project for Europe. A month was spent at cooperative farms and conducting research concerning agricultural policy. Afterwards, several executives from the LAAS received in-depth training at the Agricultural Education Department of Penn State University. In Lithuania, VOCA cooperated with the LAAS to arrange seminars in 22 of Lithuania's 44 districts, at which more than 650 farmers learned practical means for increasing their total production. Hundreds of members of agricultural advisory boards were instructed concerning how to provide services that best meet the needs of local farmers.

In support of these training initiatives, VOCA Volunteers translated and published textbooks and other educational materials on cooperative management, such as Marvin

Shears' book "Cooperatives: Practices and Principles". They were distributed to farmers' unions, agricultural colleges, Members of Parliament, the Ministry of Agriculture, and farmers participating in VOCA seminars. For the first time, college students in Lithuania received training on how to run a cooperative farm, and farmers gained access to the latest information on management techniques.

THE IMPACT OF VOCA'S WORK

VOCA provided assistance to previously state-owned Lithuanian farms during a critical period, enabling them to more successfully organize themselves into cooperatives and private companies. It is no coincidence that over 40% of the fastest-growing cooperative farms in Lithuania have participated in VOCA training programs. In addition, Lithuanian farmers have benefited from training and support provided by the LAAS, another VOCA initiative. The LAAS has developed into a large and effective organization, with 44 branch offices located in each district of Lithuania, and 220 extension agents supported by a staff of 20. The effects of the program have reached government circles as well. The current Minister of Agriculture is a former Director of the LAAS, and a number of officials from this Ministry cooperate with the LAAS. Through the LAAS, VOCA's work to modernize cooperative farms in Lithuania and train Lithuanian farmers is set to continue indefinitely.

In the agroprocessing sector, VOCA projects resulted in direct benefits approaching \$5 million, and indirect benefits reaching several times this amount. Over twenty thousand jobs were either created or saved (see Table 4), while profitability and production both increased. Many clients followed every recommendation made by the VOCA experts, thereby achieving exceptional results with comparatively small investments in training and equipment. A concrete example is VOCA's collaboration with the U.S. Soya Association to implement a pilot project that saved Lithuanian companies nearly \$2 million (by switching to soya feed), and generated more than \$7 million in American exports. As a result of this success, a similar approach was followed in Poland, and several agricultural companies in Latvia switched to the new feed regime based on American exports. These developments in Lithuanian agriculture are a significant and sustainable step forward, which would not have occurred without assistance from VOCA.

CONCLUSIONS

The VOCA program in Lithuania managed to achieve concrete and positive results in the agricultural sector at a time when agrobusiness faced a crisis due to the loss of traditional markets and the dissolution of the system of state ownership. By carefully focusing on the problems faced by agricultural cooperatives, and offering technical assistance from volunteer experts that was carefully designed to meet those problems, VOCA helped import modern management systems, improve productivity and product quality, introduce new technology, and reduce production costs.

VOCA's work with the LAAS, training and information programs, and technical assistance for top agroprocessing companies are noteworthy. VOCA management contributed to legal reform of the agricultural sector by advising Members of Parliament and their staff concerning legislation applicable to private sector cooperatives. Finally, VOCA deserves high marks for its sound methodology, its successful implementation, and the long-lasting results that it has achieved. Throughout its work in Lithuania, VOCA maintained a collaborative approach with USAID and its counterparts, and developed strong personal and professional relationships with its clients.

At the heart of VOCA's work was a needs-driven project management style, utilizing extensive feedback and analysis of the results achieved. This enabled VOCA to accurately assess and rapidly respond to client demands for specialized technical support. Yet at the same time, the volunteers became extremely engaged in the process, offering a highly personalized service that built long-lasting bonds that serve as an example for the donor community.

The total economic impact of VOCA's work has been estimated to exceed \$11 million, from program costs totaling \$1.1 million (see Tables 1 and 3). Increases in agricultural production and efficiency are continuing to this day. By generating local capacity, most notably through the LAAS, VOCA has set in motion a process whereby Lithuania can now develop its own expertise and engage in sustainable reforms. Cooperative and private farming continue to get stronger in Lithuania. Indeed, several Lithuanian projects are serving as examples for other countries. The impact of VOCA's program in Lithuania is certain to continue well into the next century.

SUCCESS STORIES

- **VOCA Volunteers Help A Poultry Company To Introduce a New Feed Rationing System and Veterinary Care Program That Saves \$390,000 Annually**

One of Lithuania's largest poultry enterprises, Kaisiadorys Poultry, was having problems breaking even after many of its Socialist Bloc markets disappeared in the early 1990s. Also, Soviet methods of feeding and poultry management were inefficient, necessitating organizational reforms and new production techniques.

The serious desire for reform on the part of management was one of the main reasons VOCA selected Kaisiadorys Poultry. Two volunteers instituted feed rationing, as well as more efficient poultry management and veterinary care programs. As a result, the poultry mortality rate was reduced by more than 30%. The volunteers also introduced a new soybean feed to the company. Although it was more expensive than the previously used feed, the quality was so much higher that the resulting increase in poultry growth rates actually saved the company \$390,000 per year!

"Our VOCA volunteers, even though they were with us for just a few weeks, helped us to make great changes quickly. Since their project was completed and the recommended changes were made, we have saved almost \$1.5 million," said Kaisiadorys Poultry General Director, Saulius Macius. Company executives are now channeling their cost savings into the expansion of production facilities. This includes the purchase of new equipment and soybean products (much of which is imported from the United States), and hiring additional employees.

- **VOCA Volunteer Implements New Veterinary Techniques at Hog Producer, Increasing Revenues by 15% and Saving \$215,000**

The Dainai Hog Farm, a medium-size producer, faced bankruptcy in 1994-1995 due to drastic increases in feed cost and a sharp drop in demand. VOCA enlisted an experienced volunteer, who visited twice and made more than fifty recommendations to improve the company's efficiency.

One of the most serious issues facing Dainai was poor design of the main building, which interfered with temperature control and breeding. The volunteer helped company officials redesign the facility. This enabled Dainai to save energy, and increase breeding rates (by 7% in 1996 and 4% in 1997). Greater efficiency led to \$24,000 in annual savings.

With assistance from VOCA, Dainai embarked on a concerted effort to improve sanitation and reduce mortality rates. Through training, improved veterinary practices, and revised sanitary procedures, the general health of hogs improved, and mortality rates fell by 5% in the first year alone. These improvements have saved Dainai \$215,000 per year.

"We are very thankful for the assistance provided by VOCA. Since we implemented the volunteer's proposals, our company has increased its revenues by approximately 15% for

two successive years. We didn't even realize the full extent of the impact from VOCA's assistance until they helped us perform an evaluation", said General Director Kasparas Jurevicius.

- **A Low-cost Feed Regime Developed by VOCA Saves a Hog Company \$250,000**

The Grabupeliai Hog Enterprise is one of the leaders in this field, with annual production surpassing 25,000. Yet after the company was privatized in 1993, management had difficulty implementing the reforms that were necessary to increase efficiency. And the termination of state subsidies in the face of rapidly rising feed prices threatened the very existence of the enterprise.

A VOCA volunteer visited the Grabupeliai hog farm in late 1994, and determined that the company's feed regime and feed mixture were not optimal. The volunteer helped put a low-cost feed rationing system in place, which reduced expenditures by 8% and increased the amount of meat per hog. The volunteer then introduced more effective veterinary procedures, resulting in a 30% reduction in mortality rates. By following additional VOCA recommendations, the company also managed to increase the birth rate for hogs from 57% to more than 80% in only two years. Annual savings reached \$85,000.

This assistance helped Grabupeliai avoid closure in 1995 and return to profitability. "The VOCA volunteer enabled our company to improve almost every aspect of production process. We have been able to save more than \$250,000. We are very grateful to VOCA for helping us achieve these results," said Grabupeliai General Director Aleksas Kablauskas.

- **Major Egg Producer Improves Feeding and Energy Efficiency with VOCA Help, Saving \$350,000 Annually**

Girele was among the leading poultry enterprises in the region at the beginning of the decade. It produced more than one billion eggs annually, more than half of which were exported. Yet Lithuanian independence created a critical situation for the company. The loss of traditional markets cut product demand in half virtually overnight. Company executives did not have the knowledge and skills necessary to adapt to a dynamic market economy. By 1993, Girele faced bankruptcy.

VOCA was engaged to provide the required expertise, and company officials were eager to learn. "Our two VOCA volunteers Westernized the entire attitude of the company. We were able to look at our business with new eyes. Together we found dozens of areas where we could improve. They showed us ways to make money, and we followed the volunteer's recommendations 100%," said Girele General Director Stasys Dainus.

Feed regimes were changed to achieve a better nutritional balance, and the factory's nutritionist received training concerning the new methods. Water and electricity costs were reduced through energy saving measures and more accurate controls. Revised feed rationing, poultry management, and veterinary techniques were introduced. This enabled the company to increase production by 12 million eggs in 1996, while improved

sanitation reduced mortality rates for layers from 11.5% in 1995 to 6% in 1996. Improved feed regimes lowered the amount needed for producing 100 eggs by five pounds between 1995 and 1996. This led to savings of \$350,000 annually, and enabled broiler birds to reach commercial weight two weeks earlier.

The direct benefits achieved by Girele have been passed on to other individuals and enterprises. For example, the company director teaches the new methodology to his students at the Kaunas Agricultural University, and also to Girele's suppliers. The success of the VOCA volunteers at the Girele enterprise was also repeated at the Juodsiliai poultry enterprise, where revenues increased by \$195,000.